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*Annual Report* 1956

Montgomery Ward

*For the fiscal year ended January 31, 1957*



**The results at a glance**

	<i>January 31, 1957</i>	<b>1956</b>	<b>1955</b>
Net sales . . . . .	\$1,045,767,458	\$969,946,996	\$887,336,812
Taxes on income . . . . .	38,190,000	38,260,000	35,110,000
Net earnings . . . . .	35,844,479	35,441,046	35,232,600
Dividends . . . . .	30,671,579	30,671,579	27,420,390
Net earnings per common share . . . . .	\$2.65	\$2.62*	\$2.60*
Dividends per common share . . . . .	2.25	2.25*	2.00*
Working capital . . . . .	\$ 610,974,437	\$612,528,569	\$607,929,595
Additions to properties and equipment . . . . .	10,516,918	3,339,409	1,079,334
Depreciation and amortization . . . . .	3,588,874	3,081,225	3,073,849
Net investment in properties and equipment . . . . .	37,792,614	31,065,582	30,895,089
Stockholders' investment . . . . .	\$ 648,767,051	\$643,594,151	\$638,824,684
Shares outstanding—			
Class "A" . . . . .	201,554	201,554	201,554
Common . . . . .	13,004,756	13,004,756*	13,004,756*
Investment per common share . . . . .	\$48.34	\$47.94*	\$47.57*
Number of stockholders . . . . .	84,605	74,674	67,875
Average number of employees . . . . .	57,691	55,010	53,251

\*Adjusted for the 2-for-1 stock split in May 1956.

# 85<sup>th</sup> Annual Report

FOR THE FISCAL YEAR ENDED JANUARY 31, 1957

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**Montgomery Ward & Co., Incorporated**

## Montgomery Ward

### Directors

John A. Barr—*Chairman of the Board*  
Sewell L. Avery  
Philip R. Clarke\*  
H. P. Davison  
Percy B. Eckhart  
Joseph C. Kracht  
Lenox R. Lohr  
C. H. Shaver  
Solomon A. Smith

*\*Chairman Executive Committee*

### Officers

John A. Barr	<i>Chairman and President</i>
Russell P. Bygel	<i>Vice President, Mail Order</i>
Joseph C. Kracht	<i>Vice President, Retail</i>
Charles J. Kushell, Jr.	<i>Vice President, Financial</i>
Lester O. Naylor	<i>Vice President, Merchandise</i>
Anthony D. Eastman	<i>Vice President, Personnel</i>
George H. Kleisner	<i>Vice President, Soft Lines</i>
Howard S. Kambestad	<i>Vice President, Treasurer</i>
James E. Caldwell	<i>Controller</i>
Charles J. Barnhill	<i>Secretary</i>
John M. Clark	<i>Assistant Treasurer</i>
David L. Dickson	<i>Assistant Secretary</i>

### TRANSFER AGENTS

The Northern Trust Company, Chicago, Ill.  
J. P. Morgan & Co. Incorporated, New York, N. Y.

### REGISTRARS

The First National Bank of Chicago, Chicago, Ill.  
Bankers Trust Company, New York, N. Y.





Ward officers review company plans at periodic meetings. Reading clockwise, Chairman John A. Barr (standing at head of table); Joseph C. Kracht, vice president, retail; Russell P. Bygel, vice president, mail order; Lester O. Naylor, vice president, merchandise; Howard S. Kambestad, vice president, treasurer; Charles J. Kushell, Jr., vice president, financial; George H. Kleisner, vice president, soft lines; Anthony D. Eastman, vice president, personnel; Charles J. Barnhill, secretary.



## Chairman's Message

### TO OUR STOCKHOLDERS:

Sales for the fiscal year ended January 31, 1957 were over one billion dollars for the first time since 1952. Showing an increase for the second straight year, sales during 1956 amounted to \$1,045,767,458 compared to \$969,946,996 in 1955, an increase of 7.8%.

Earnings of \$35,844,479 compared with 1955 earnings of \$35,441,046, and equaled \$2.65 per share of common stock. Earnings in 1955, after adjustment for the 2-for-1 stock split last year, were \$2.62 per share.

Significant forward steps were taken during the year in the fields of organization, merchandising, and planning.

The organization has been materially strengthened by the addition of several outstanding executives in key positions. Every major officer of the company, with a single exception, has been elected to his present responsibilities within the last two years. In addition, many key departments of the company, such as store planning and display, real estate, and sales promotion, have been strengthened and are now making important contributions to the growth and progress of the company. Average employment during the year was 57,691 persons, compared with 55,010 the year before.

Stockholder approval was requested and obtained during the year for a retirement plan for all employees and a stock option plan for key executives. Both plans became effective February 1, 1957, and will be of substantial help in attracting and holding the qualified people we require for our future development.

Advances in merchandising and promotional efforts have been effected in both the retail and mail order divisions of the business. We have improved the assortment of merchandise in the stores, while at the same time reducing our investment in inventory from \$262,625,068 at the end of 1955 to \$247,094,113 at the end of 1956. The merchandise is being more attractively arranged and displayed in the stores, advertising and sales promotional

programs have been improved, and mail order catalogs have been made more effective.

Many of the stores have undergone major physical improvements. Expenditures for store remodeling and plant improvements totaled \$10,500,000 compared with \$3,300,000 the year before. At January 31, 1957 unexpended balances of appropriations for work in progress amounted to \$5,800,000.

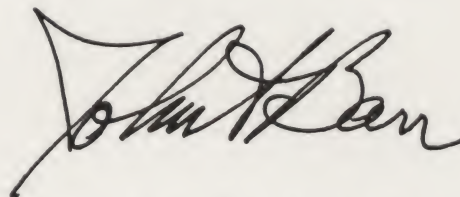
Our first completely new store is scheduled to open in Portsmouth, Ohio, in late March and will embody the latest designs and improvements in retail merchandising. The company also announced plans during the year for three more new stores, with additional new units contemplated as suitable locations are approved.

More of the company's cash was put to work in the business during the year. In addition to the sums allotted for store improvement, our time payment accounts have grown from \$191,518,469 last year to \$240,208,856 this year.

Your management faces the new year with confidence that the investments made and the plans set in motion during the past year will result in an improved performance during 1957.

A more detailed report of the company's operations will be found on the following pages.

Respectfully submitted,



Chairman of the Board

March 27, 1957





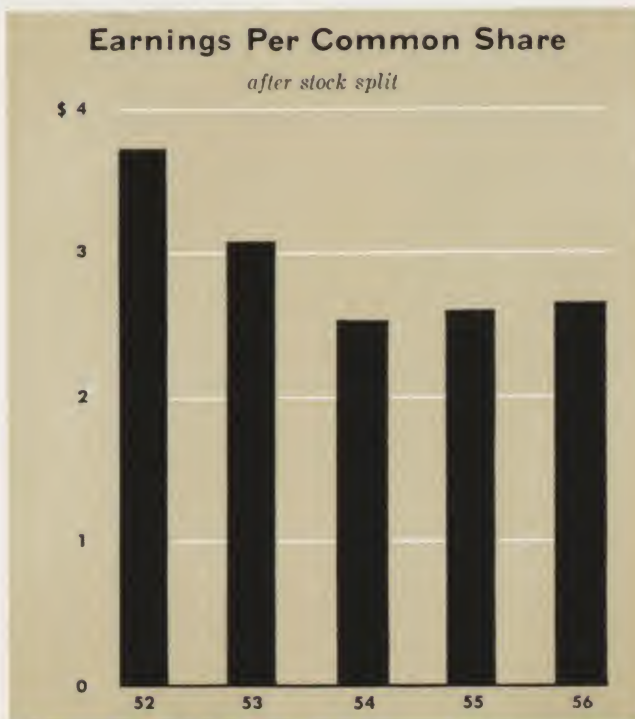
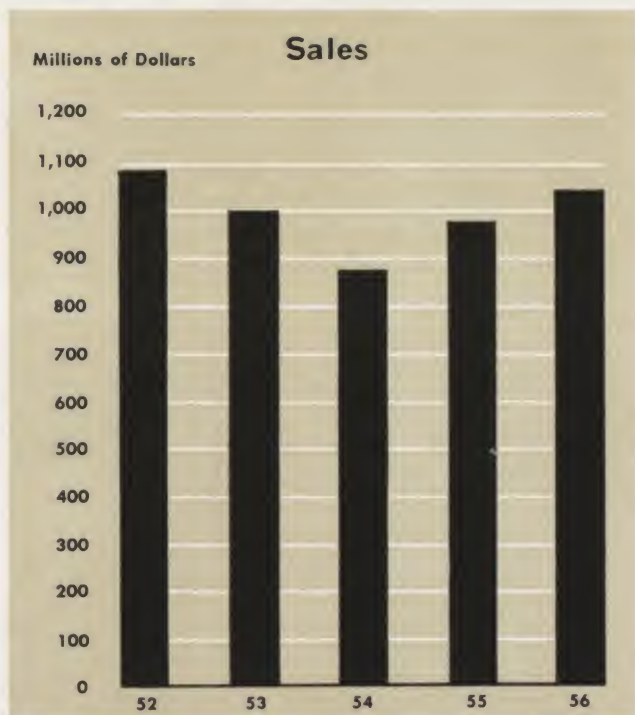
Off these drawing boards will come the future Ward retail stores. During the last year, size of the Store Planning and Display Department has doubled. From it flow ideas for the physical improvements that are so essential to keep step with the advances in retail selling.

## THE YEAR IN REVIEW

Total sales of the company were \$1,045,767,458, an increase of 7.8% over sales of the previous year. Retail store sales continued at about double mail order sales, with each category achieving approximately the same percentage of increase.

After deducting \$38,190,000 for federal income taxes, earnings were \$35,844,479 as compared with \$35,441,046 in the previous year. This amounts to \$2.65 per common share this year as against \$2.62 per share last year, after adjustment for the stock split effected during the year.





#### DIVIDENDS

In addition to the four regular dividends on the common stock of 50¢ per quarter (equivalent to \$1.00 per quarter prior to the stock split in May 1956), an extra dividend of 25¢ per share was paid at the year end. This made a total payment of \$2.25 per share for the year, which, giving effect to the stock split, was equivalent to the dividends paid in the previous year. Regular dividends totaling \$7.00 per share were paid on the outstanding Class A stock.

#### EMPLOYMENT OF WORKING CAPITAL

All of the earnings retained after dividends and the funds provided by depreciation during the year, supplemented by \$1,500,000 of working capital, were invested in improvements to the company's operating properties. The total additions to properties and equipment during the year amounted to \$10,516,918 and this capital outlay is expected to contribute materially to the profitability of the company's future operations.

Working capital as a whole changed very little, being \$610,974,437 at the end of the year compared with \$612,528,569 a year ago; however, a substantial change in the composition of the working capital took place. Cash and securities were reduced \$43,291,545 while customers time payment accounts were increased \$48,690,387, resulting from the larger sales volume, especially in heavy consumer goods, as well as increased credit sales resulting from the expanded catalog store business. Without lowering credit standards, we are more aggressively encouraging our customers to make credit purchases through continued emphasis on this method of buying for family and household needs.

Although sales increased by 7.8% this past year, merchandise inventory was \$15,530,955 lower than a year ago, reflecting a more effective control of our investment in inventories while continuing to maintain complete assortments of merchandise in the stores. The advance merchandise commitments of \$98,000,000 were also \$8,500,000 lower than last year.



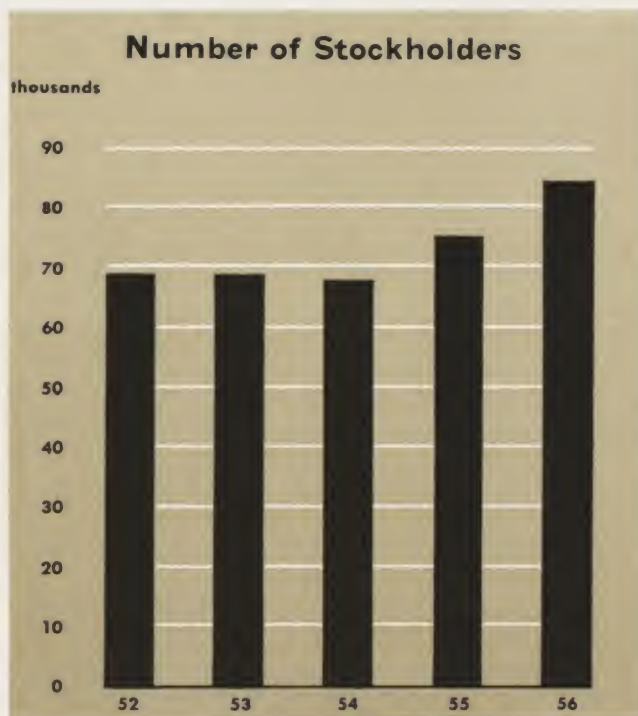


These model builders are shaping the interior of tomorrow's stores. They are translating into three dimensions the ideas of designers of fixtures and merchandise displays. They are vital links between the idea men and the production men in Wards constant program of store improvement.

#### **COMMON STOCK SPLIT**

At the annual meeting on April 27, 1956 the stockholders approved the Board of Directors' recommendation that the common stock be split on a 2-for-1 basis. The expected benefit of a broader distribution of the company's shares is being achieved as there has been an increase of 9,931 stockholders during the year, bringing the total number of stockholders of record to 84,605.





Stockholders' total investment equaled \$48.34 per share of common stock, as compared with \$47.94 at the previous year end, after adjusting for the stock split.

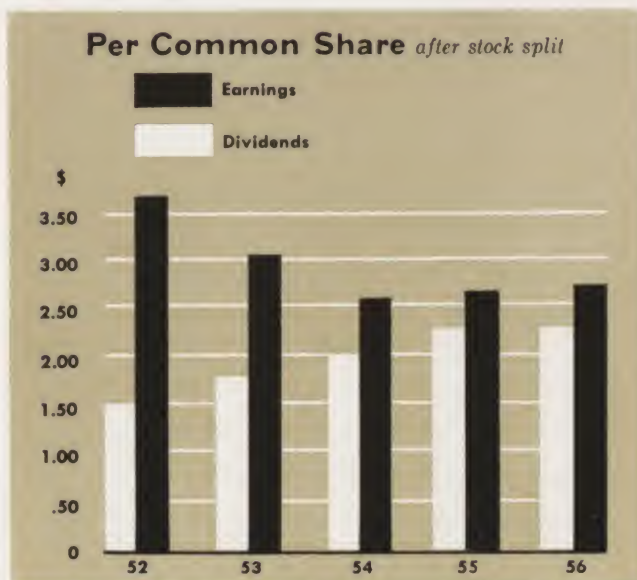
#### REAL ESTATE LEASES

The company has 1,854 leases with landlords covering retail stores, catalog stores, and warehouse locations. The minimum annual rentals for which the company is obligated under these agreements for the fiscal year 1957 total approximately \$9,686,000. The total minimum rentals to the expiration of the leases, or to optional cancellation dates, amount to approximately \$47,838,000. The company has no obligation under any of the leases beyond the year 1987, although renewal privileges exist under many of them.

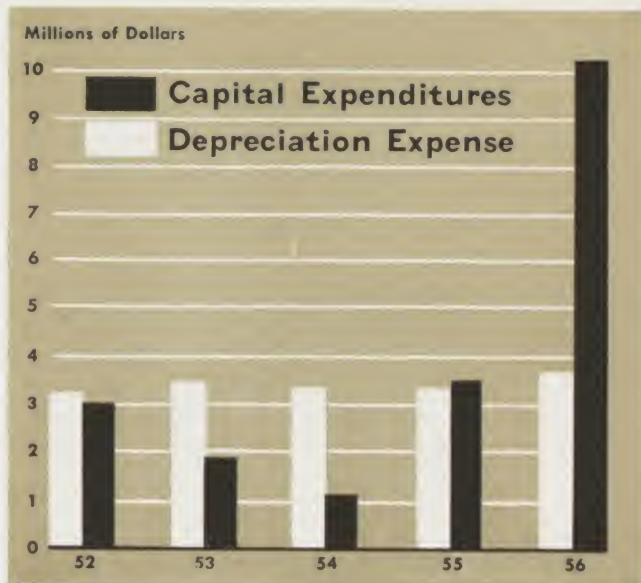
#### EMPLOYEE RELATIONS

On January 30, 1957, at a special meeting, the stockholders approved a formal retirement program for employees, which became effective February 1, 1957. Of the 20,129 employees eligible for the plan, 18,737 or 93.1% have elected to participate. It is expected that approximately 500 employees will retire in the coming year under the provisions of the plan. The current service benefits are financed by contributions from both the employees and the company. The cost of the past service benefits, estimated at approximately \$28,000,000, will be borne entirely by the company. To date, there have been no payments on this liability. The estimated total current annual cost to the company, including full funding of current service liability and payment of interest on past service liability, is approximately \$2,800,000.

At the same special meeting the stockholders approved a restricted stock option plan effective February 1, 1957 under which the company has reserved 400,000 shares of common stock for issuance to officers and other key executives of the company. Under the plan, the option price is the closing price of the stock on the New York Stock Exchange the day the option is granted. Options granted are exercisable in ten equal amounts over a ten-year period on a cumulative basis commencing







one year from the date the option is granted. Following approval of this plan the Stock Option Committee of the Board of Directors granted options totaling 246,050 shares to 171 officers and executives at the closing price on February 1, 1957, which was \$38 $\frac{3}{8}$ .

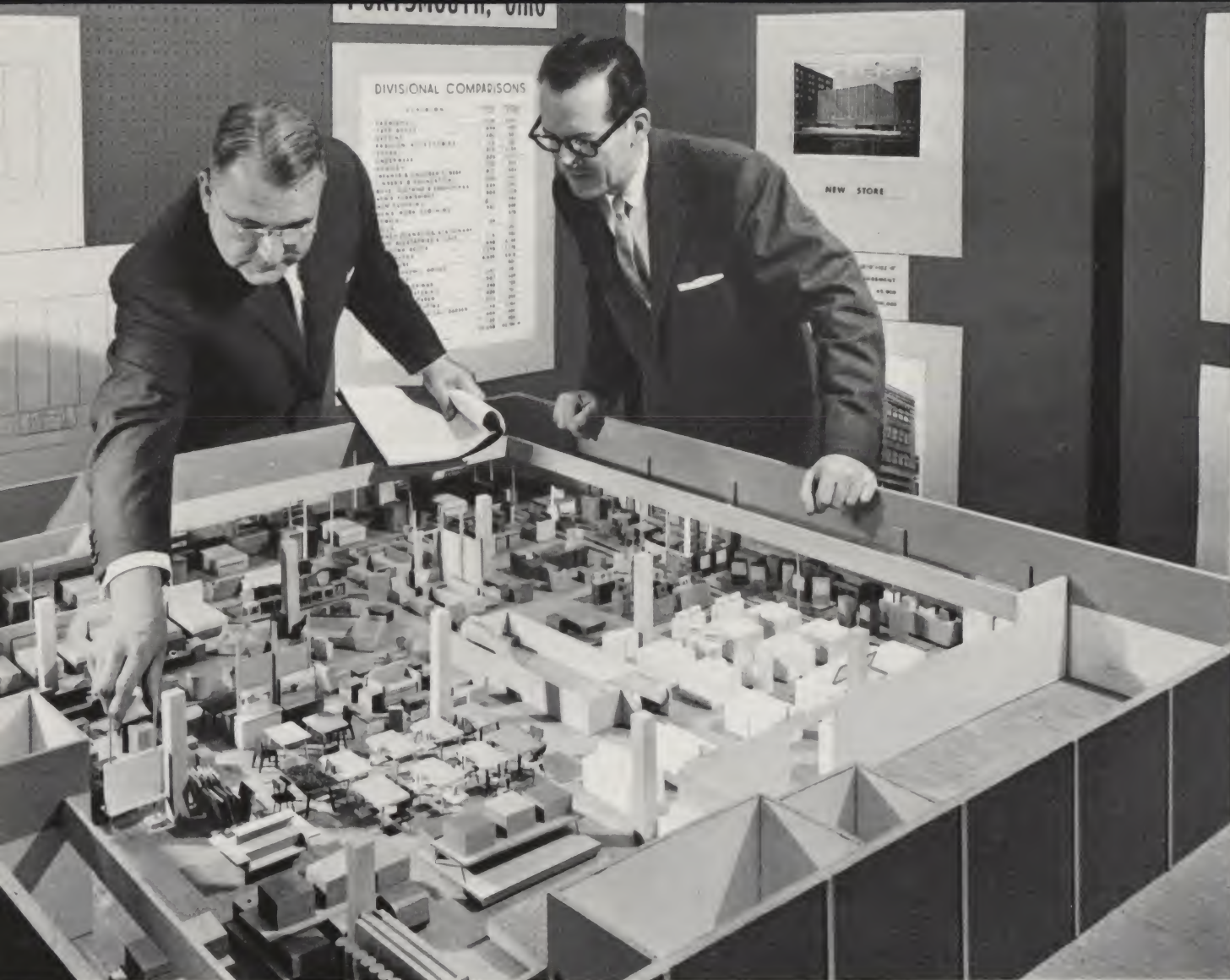
Wards employees group insurance plan, which was started in 1912, and was the first company group insurance plan in the country, was liberalized in 1956 in several important respects.

The year also saw the advent of a monthly employee newspaper FOR-WARD, which fills an important need in internal communication and has been enthusiastically received by employees in all locations.

Merchandise offered Ward customers is first put through exhaustive examination and trial in the company's own testing laboratory. Here trained technicians and scientists study and test a wide range of products from "ships to shoes to sealing wax" to make certain they meet Wards exacting quality standards.







## Retail Division

Most efficient arrangement for location and display of merchandise is planned first in model form. Retail Vice President, Joseph C. Kracht, studies fourth floor arrangement of the new Portsmouth, Ohio store with Carl Schofield, Manager of the Store Planning and Display Department.

The retail division of the company, with its 562 stores, accounted for approximately two-thirds of Wards' sales in 1956. Important developments started in this division during the year are expected to produce increases in future profits.

Wards' first retail store was opened in 1926, its last in 1941. The expansion of this division was resumed in 1956 when leases were signed for two additional retail units and plans announced for a third. Two of these are in the greater Detroit area and one is in Gary, Indiana. All three stores are located in outlying shopping centers with ample parking facilities, and are scheduled to be opened in 1958.

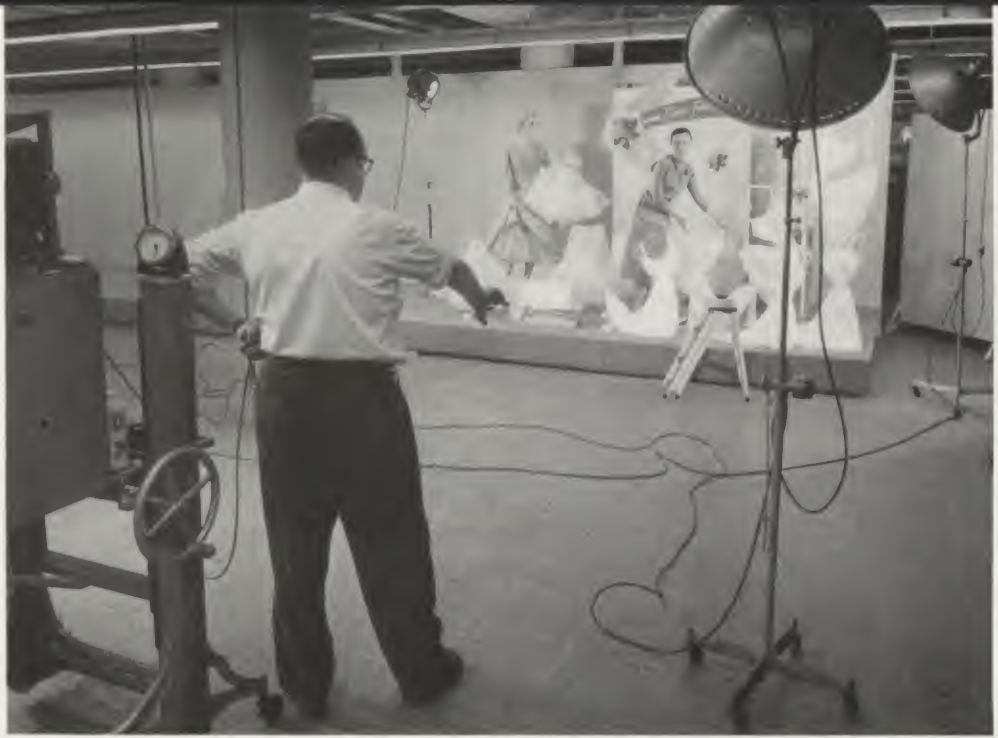
Plans for additional new stores will be announced

during 1957 as suitable locations are approved.

In addition to inaugurating its new store program, the company greatly expanded its program of store modernization and improvement. Appropriations authorized for store improvements during the fiscal year amounted to \$8,000,000. This was by far the largest amount authorized for this purpose in many years and represented a determination to bring Ward retail stores up to modern standards of attractiveness, comfort, and efficiency.

Improvements included enlargements, re-designing, improved lighting, re-decoration, air conditioning and other progressive steps. Among such projects were those undertaken in Bloomington, Illinois; Maysville, Kentucky; Salt Lake City,



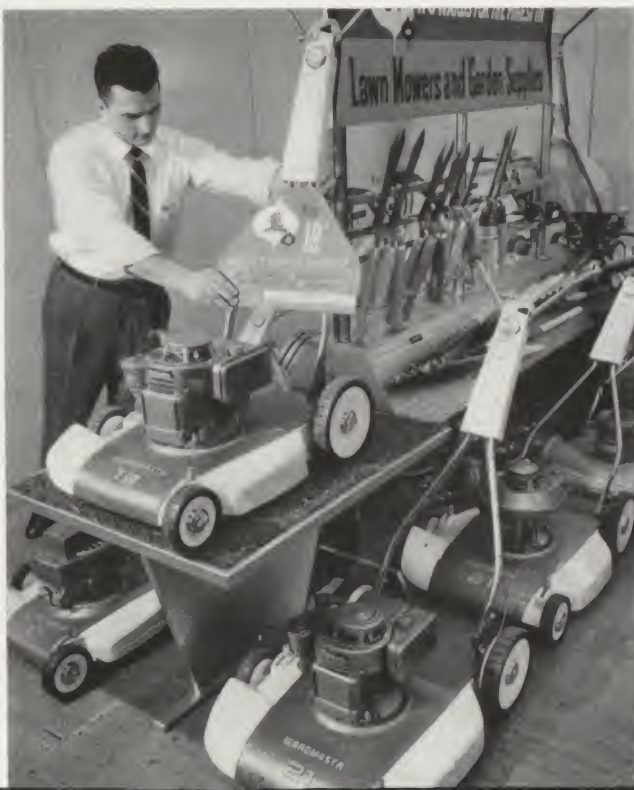


Every Ward retail store strives for bright, artistic window displays. Supplying the ideas for these modern, original displays is a team of experts in the general offices in Chicago. Their work then is photographed, as shown above, and channeled to the Company's retail stores.

Utah; Oklahoma City, Ardmore and Enid, Oklahoma; Lakeland, Florida; Kansas City, Missouri; and several stores in the Detroit area.

The newest store in the Ward retail group is located at Portsmouth, Ohio. It is not an additional store, but a replacement of an existing store and is

An interior merchandise display, planned by experts in the field, gets the finishing touches before it is photographed and then repeated in retail stores across the country. This display features a freshly-designed line of Ward power mowers, which will be key items in the Company's newly-established lawn and garden department.



scheduled to open in late March of 1957. Twice the size of the present Portsmouth store, this new unit will be the most completely modern and up-to-date store in the Ward chain, embodying the latest improvements in retail store design and lay-out.

New merchandising methods were introduced in our existing stores and more than \$3,000,000 spent on new display equipment. More adequate stocks were provided to insure better and more complete service to customers. Considerable attention was given to analyzing the major factors of customer buying habits, and merchandise is now being arranged and displayed with due regard to these factors.

Wards retail outlets reflect the efforts of a revitalized Store Planning and Display Department within the company. This department has doubled in size during the past year, better to serve the growth and improvement plans of the company.

With the addition of new stores and the improvement of existing stores, with improvements in the arrangement and display of merchandise, and with continuing improvements in stocking the stores with adequate assortments of quality merchandise, the management is confident that the retail division will produce increased sales and profits in the future.





This new catalog store is one of 132 such establishments opened during the year, a 60 per cent increase since this phase of the expansion program began in August 1955. Additional catalog stores will be opened in 1957.

## Mail Order Division

The continued research and expenditures on catalog improvements resulted in greater mail order sales during the year. The number of families buying from our catalogs increased in 1956 for the first time in eight years. The amount of dollar sales per order also was higher in 1956.

The expanded mail order services demonstrated an increasing popularity of the catalog as a means of "convenience shopping." This was particularly true in traffic congested metropolitan areas where Wards experienced a noteworthy increase in catalog sales.

Progress was made in improving the merchandise appeal of all Ward catalogs, and greater emphasis was placed on making it easier for customers

to fill the needs of their entire household from the catalogs—by phone, in catalog stores, or by direct mail. Every retail store also has a catalog order desk from which customers can make purchases from the catalog.

Eight major catalogs were issued during the year. A wider choice of merchandise was offered. The presentation of the merchandise was rearranged for greater convenience of the catalog user. Closely associated products were grouped together as a reminder to customers of other needs that could be filled in the same order. More color pages were used in the general catalogs to provide better visualization of the merchandise. Live models were employed for a better demonstration of fash-





Ward style and quality in the fashion field is checked by Lester O. Naylor, Merchandise Vice President, and his top fashion merchandisers in a special show featuring new designs.

ions. Bolder headings and bolder pricing were used.

The catalog continues to offer, at substantial savings, a wider selection of merchandise than is available in any but the largest metropolitan stores.

During the year, 132 new catalog stores, includ-

This metropolitan phone order unit, through which catalog customers can place their orders by telephone, is one of 24 which the company has located in strategic metropolitan areas.



ing two in Alaska, and two new metropolitan phone order units, were opened. This represents a 60 per cent increase in the number of catalog stores since Wards began this phase of its expansion program in August, 1955. At the close of the year, the company had 415 catalog stores and 24 metropolitan phone units. Sales results from the new stores have been encouraging.

A catalog store is a rented space where various items of merchandise are displayed and others are represented by swatches and samples. Clerks assist customers in ordering from the complete file of catalogs available in the store. Each catalog store has a telephone order service and a credit department. Merchandise ordered may be shipped directly to the customer's home or may be shipped to the store on a "will-call" basis. The latter permits substantial savings to the customer in delivery costs.

Additional catalog stores will be opened in 1957, and further steps will be taken to improve the productivity of the catalogs and to improve service to customers.

## Balance Sheet—January 31, 1957 and 1956

### ASSETS

	1957	1956
<b>CURRENT ASSETS:</b>		
Cash.....	\$ 21,805,573	\$ 20,420,631
U.S. Government, State and Municipal securities, at cost.....	176,385,658	221,062,145
Receivables, principally time payment accounts, less reserves for doubtful accounts and unearned carrying charge income of \$14,513,678 in 1957 and \$13,072,684 in 1956.....	237,915,314	189,725,601
Merchandise inventories, priced at the lower of cost or market.....	247,094,113	262,625,068
Supply inventories and prepaid catalog costs.....	18,573,242	16,076,273
Total current assets.....	<u>\$701,773,900</u>	<u>\$709,909,718</u>
<b>PROPERTIES AND EQUIPMENT, at cost:</b>		
Land.....	\$ 7,261,586	\$ 6,823,503
Buildings, after depreciation of \$27,164,573 and \$26,095,113 respectively.....	13,637,923	14,027,830
Fixtures and equipment, after depreciation of \$15,868,692 and \$16,740,557 respectively.....	13,173,489	8,481,181
Leasehold improvements, after amortization.....	3,719,616	1,733,068
Total properties and equipment.....	<u>\$ 37,792,614</u>	<u>\$ 31,065,582</u>
	<u>\$739,566,514</u>	<u>\$740,975,300</u>

### NOTES:

- (1) The company established, as of February 1, 1957, a contributory retirement plan providing retirement income for retired employees based on their credited service and earnings. The estimated unfunded past-service liability under the plan is approximately \$28,000,000. The estimated present annual cost, including interest on past-service liability and full funding of current-service liability, is approximately \$2,800,000.
- (2) Effective February 1, 1957, the company has reserved 400,000 shares of its authorized but unissued common stock under a restricted stock option plan for issuance to officers and other key executives of the company. The option price is the closing price of the stock on the New York Stock Exchange on the day the option is granted. Options granted are exercisable in ten equal amounts over a ten-year period on a cumulative basis commencing one year from the date the option is granted. On February 1, 1957, options were granted to 171 officers and other executives for a total of 246,050 shares at \$38 $\frac{3}{8}$  per share.



# Montgomery Ward & Co., Incorporated

## LIABILITIES

	1957	1956
<b>CURRENT LIABILITIES:</b>		
Accounts payable and other liabilities . . . . .	\$ 38,102,931	\$ 44,457,276
Accrued expenses . . . . .	19,061,267	17,793,880
Federal taxes on income . . . . .	33,635,265	35,129,993
Total current liabilities . . . . .	<u>\$ 90,799,463</u>	<u>\$ 97,381,149</u>
 <b>CAPITAL STOCK AND EARNINGS REINVESTED:</b>		
Class "A" stock, no par value—		
Authorized 205,000 shares noncallable, \$7.00 per share cumulative dividends; issued 201,554 shares, stated at liquidating value . . . . .	\$ 20,155,400	\$ 20,155,400
Common stock, no par value—		
Authorized 20,000,000 shares, issued 13,004,756 shares, reflecting 2-for-1 stock split in May 1956, at stated value . . . . .	211,231,385	211,231,385
Earnings reinvested in the business . . . . .	417,380,266	412,207,366
Total capital stock and earnings reinvested . . . . .	<u>\$648,767,051</u>	<u>\$643,594,151</u>
	<u>\$739,566,514</u>	<u>\$740,975,300</u>

### AUDITORS' CERTIFICATE

To the Stockholders and Board of Directors, Montgomery Ward & Co., Incorporated:

We have examined the balance sheet of Montgomery Ward & Co., Incorporated (an Illinois corporation) as of January 31, 1957, and the related statements of earnings and earnings reinvested for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the year ended January 31, 1956.

In our opinion, the accompanying balance sheet and related statements of earnings and earnings reinvested present fairly the financial position of the company as of January 31, 1957, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois  
March 12, 1957

*Arthur Andersen & Co.*

**Statement of Earnings****Montgomery Ward & Co., Incorporated***For the years ended January 31, 1957 and 1956*

	1957	1956
<b>NET SALES</b> .....	\$1,045,767,458	\$969,946,996
<b>COSTS AND EXPENSES:</b>		
Cost of merchandise sold.....	\$ 709,410,965	\$662,488,863
Wages and salaries.....	177,592,191	160,521,568
Property, social security and state taxes.....	13,567,127	12,764,723
Rents.....	11,884,324	10,916,476
Repairs and maintenance.....	3,630,534	3,386,435
Depreciation and amortization.....	3,588,874	3,081,225
Other expenses, net.....	52,058,964	43,086,660
Total costs and expenses.....	\$ 971,732,979	\$896,245,950
<b>EARNINGS BEFORE TAXES ON INCOME</b> .....	\$ 74,034,479	\$ 73,701,046
Provision for federal taxes on income.....	38,190,000	38,260,000
<b>NET EARNINGS</b> .....	<u>\$ 35,844,479</u>	<u>\$ 35,441,046</u>

**Statement of Earnings Reinvested***For the years ended January 31, 1957 and 1956*

	1957	1956
<b>BALANCE AT BEGINNING OF YEAR</b> .....	\$ 412,207,366	\$407,437,899
<b>NET EARNINGS</b> .....	35,844,479	35,441,046
Total.....	<u>\$ 448,051,845</u>	<u>\$442,878,945</u>
<b>CASH DIVIDENDS:</b>		
Class "A" stock—\$7.00 per share.....	\$ 1,410,878	\$ 1,410,878
Common stock—\$2.25 per share in both years based on present shares.....	29,260,701	29,260,701
Total.....	<u>\$ 30,671,579</u>	<u>\$ 30,671,579</u>
<b>BALANCE AT END OF YEAR</b> .....	<u>\$ 417,380,266</u>	<u>\$412,207,366</u>





